(3)

No. 03-1129

Supreme Court, U.S.
FILED
MAR 18 2004
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SHOKETSU KINZOKU KOGYO KABUSHIKI CO., LTD, a/k/a SMC CORPORATION and SMC PNEUMATICS, INC.,

Petitioners,

v.

FESTO CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONERS' REPLY BRIEF

ARTHUR I. NEUSTADT
Counsel of Record
OBLON, SPIVAK, MCCLELLAND, MAIER & NEUSTADT, P.C.
1940 Duke Street
Alexandria, VA 22314
(703) 413-3000

JAMES B. LAMPERT
HALE AND DORR LLP
60 State Street
Boston, MA 02109
(617) 526-6000

Attorneys for Petitioners

TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

Introduction 1

Only This Court Can Resolve The Fundamental Disagreements About Its Prior Decision 1

A. SMC's Understanding 2

B. Festo's Apparent Position 2

C. The Federal Circuit's Decision 3

Festo's Assertion That "SMC's Petition Should Be Denied Since The Federal Circuit Followed This Court's Precedent On The Issue Of Unforeseeability" Is Baseless 4

Festo's Assertion That "SMC's Petition Should Be Denied Since It Is Contrary To This Court's Precedent" Is Baseless . 5

Festo's Assertion That "SMC's Petition Should Be Denied Since It Would Create A Complete Bar" Is Baseless 6

Festo's Brief Misstates The Record 6

Conclusion 8

TABLE OF AUTHORITIES

Cases

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 535 U.S. 722 (2002) ..... *passim*

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 234 F.3d 558 (Fed. Cir. 2000) (*en banc*) 7, 8

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 344 F.3d 1359 (Fed. Cir. 2003) (*en banc*) 4, 5, 8

Warner-Jenkinson Co. v. Hilton Davis Chemical Co., 520 U.S. 17 (1997) 8

Introduction

Festo's opposition brief asserts three reasons why SMC's petition should be denied. According to Festo, (1) the Federal Circuit followed this Court's precedent on the issue of foreseeability, (2) SMC's petition is contrary to this Court's precedent and (3) SMC's petition would create a complete bar. All three are baseless. Indeed, Festo's brief evidences why SMC's petition should be *granted*: there are fundamental disagreements among SMC, Festo and the Federal Circuit about what this Court held in its 2002 decision, *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722 (2002).

Most important, there is fundamental disagreement as to the circumstances in which this Court held that its presumption might be overcome. And, although the Federal Circuit and SMC agree that this Court's prior decision established a presumption that a claim element narrowed for a reason relating to patentability is not entitled to the doctrine of equivalents, Festo apparently says that its narrowing amendments do not give rise to the presumption at all.

Festo does not, and could not, dispute the importance of the issues raised here. The Federal Circuit has twice heard this case *en banc*, and this Court has twice granted *certiorari*. The need for this Court to again grant *certiorari* and finally resolve these important issues is clear.

Only This Court Can Resolve The Fundamental Disagreements About Its Prior Decision

SMC, Festo and the Federal Circuit fundamentally disagree as to this Court's presumption. Only this Court can resolve this disagreement.

A. SMC's Understanding

SMC's understanding of this Court's prior decision is that, to rebut the presumption, "[t]he patentee *must* show that at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have encompassed the alleged equivalent." *Id.* at 741, emphasis added.

SMC also understands this Court to have held that this test cannot be met where "the original application once embraced the purported equivalent but the patentee narrowed his claims to obtain the patent or to protect its validity" (*id.* at 734-735); and that "[w]hen, however, the patentee originally claimed the subject matter alleged to infringe but then narrowed the claim in response to a rejection, he may not argue that the surrendered territory comprised unforeseen subject matter that should be deemed equivalent to the literal claims of the issued patent" (*id.* at 733-734). Also, see SMC's petition at 2-3.

B. Festo's Apparent Position

Festo agrees with none of this. Without ever specifically mentioning this Court's statement as to what "[t]he patentee *must* show" to rebut the presumption, Festo (at 9) accuses SMC of "concoct[ing] a non-existent 'fundamental test' for overcoming the *Festo* presumption" and (at 11) asserts that SMC's position "is clearly not a plausible reading of this Court's decision."

To the extent Festo addresses this Court's opinion, Festo asserts (at 16) that "[i]t is nearly always the case that the claim before a narrowing amendment would have covered the accused device since it was broader in scope"; but then argues (at 13-14) that its narrowing amendments did not give

rise to this Court's presumption since Festo's original claim "did not define a sleeve at all, let alone define a sleeve made of any material" and "Festo never had a claim which defined a single, two-way sealing ring on the piston."

Festo's argument, not made below, is in direct conflict with this Court's holding that the presumption applies to Festo's narrowing amendments. The only issue left open by this Court's decision was "whether petitioner [Festo] can demonstrate that the narrowing amendments did not surrender the particular equivalents at issue" and, on this issue, this Court noted that "respondents [SMC] may well prevail, for the sealing rings and the composition of the sleeve both were noted expressly in the prosecution history." *Id.* at 741.

In the same vein, Festo argues (at 11-12) that this Court's statement that a "patentee [that] originally claimed the subject matter alleged to infringe but then narrowed the claim on [sic] response to a rejection ... may not argue that the surrendered territory comprised unforeseen subject matter that should be deemed equivalent to the literal claims of the issued patent" is applicable only when "the patent applicant literally set forth in the claim the accused equivalent in question and then narrowed the element at issue such that the accused device is no longer literally encompassed by the amended element."

C. The Federal Circuit's Decision

The Federal Circuit changed this Court's statement of what a "patentee *must* show," saying rather that this Court "explained that a patentee *may* [rather than must] overcome the presumption by showing that 'at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent'" and, based upon this

change, found that a patentee could also overcome the presumption in other ways. App. 4a-5a, emphasis added.

Although the Federal Circuit specifically found (App. 17a, 20a) that, at the time of the amendments, Festo could easily have drafted a claim that covered the now accused equivalents, it nonetheless remanded the case to the district court with instructions (App. 21a) to consider a question -- "whether Festo can rebut the presumption by demonstrating that the two accused equivalents would have been unforeseeable to a person of ordinary skill in the art at the time of the amendments" -- that is very different from the question required by this Court.

Further, the Federal Circuit failed even to mention, much less apply, this Court's specific and definitive holdings that, when the patentee originally claimed the subject matter now said to infringe the amended narrower claim, he may neither "argue that the surrendered territory comprised unforeseen subject matter that should be deemed equivalent to the literal claims of the issued patent" (*id.* at 733-734) nor "assert that he lacked the words to describe the subject matter in question" (*id.* at 734).

Festo's Assertion That "SMC's Petition Should Be Denied Since The Federal Circuit Followed This Court's Precedent On The Issue Of Unforeseeability" Is Baseless

Contrary to Festo's assertion, the Federal Circuit did not follow this Court's precedent on the issue of foreseeability since it changed this Court's requirement of what a "patentee *must* show" to "*may*" and then failed to apply this Court's clear test. Further, this Court in its 2002 decision specifically stated with respect to foreseeability that

> When, however, the patentee originally claimed the subject matter alleged to infringe but then narrowed the claim in response to a rejection, he may not argue that the surrendered territory comprised *unforeseen* subject matter that should be deemed equivalent to the literal claims of the issued patent.

Id. at 733-34, emphasis added. Also, see SMC's petition at 3. The Federal Circuit's failure to apply this Court's above-quoted holding also was "contrary to this Court's precedent."

Festo's assertion that SMC's original claims did not cover the now accused equivalents is simply wrong, as the Federal Circuit recognized. Although Festo (at 14) accuses SMC of a "blatant misrepresentation of the Federal Circuit's opinion," asserting that the "court below never made a finding that Festo's original claims literally covered the accused SMC device," the Federal Circuit specifically held that Festo's claims were narrowed to require the presence of the magnetizable material (App. 15a) and sealing rings (App. 18a) and, therefore, prior to narrowing, Festo's claims covered the now accused equivalents.

Festo's Assertion That "SMC's Petition Should Be Denied Since It Is Contrary To This Court's Precedent" Is Baseless

Festo's argument, not made below, appears to be that there is no narrowing where the patentee adds an element to a claim rather than narrowing a previously recited element. This argument makes no sense; a claim can be narrowed by either narrowing a previously recited element or adding a new element. Further, the Federal Circuit held that Festo had narrowed previously recited elements. App. 15a, 18a.

Festo's Assertion That "SMC's Petition Should Be Denied Since It Would Create A Complete Bar" Is Baseless

Festo's argument appears to be that this Court's presumption creates a complete bar. This Court has already decided to the contrary, holding that the presumption can be overcome if the patentee can show that "at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent." *Id.* at 741.

What Festo is really saying is that the presumption should be easily overcome. However, this Court's presumption had its genesis in the *amicus* brief filed by the United States ("This is the approach advocated by the United States, see Brief for United States as *Amicus Curiae* 22-28, and we regard it to be sound." *Id.* at 740); and the United States' "sound approach" recognized (at 27) that, in many circumstances, the presumption will not be overcome: "Given the versatility of language, patent holders will face *a substantial obstacle* in overcoming the presumption that their narrowed claims encompass no more than they literally embrace." Emphasis added. The United States also stated (at 27) that "[t]he courts should exercise discipline in assessing assertions from patent holders that claim amendments could not have been crafted with greater precision, lest they invite wholesale return to the court of appeals' 'flexible bar approach,' which that court properly concluded is 'unworkable.'"

Festo's Brief Misstates The Record

It should also be noted that Festo misstates the record.

Festo implies (at 1) that the SMC rodless cylinders are a result of "near-identical copying." However, the district court specifically stated "there is no evidence of copying" and

Festo did not press this issue before the Federal Circuit. JOINT APPENDIX in 00-1543, Vol. I at 151.

Festo asserts (at 5) that the law of the case is that "SMC's devices embodied no substantial differences from Festo's patented invention." However, the Federal Circuit specifically held that "[w]e do not need to reach this question" and "we leave for another day any discussion of the 'all elements' rule." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 234 F.3d 558, 578 (Fed. Cir. 2000) (*en banc*).

Festo asserts (at 11) that "[i]n the district court, Festo will be given an opportunity *for the first time* to present evidence to show that the accused equivalents were not foreseeable to one skilled in the art." Emphasis added. However, Festo was provided this opportunity on remand before the Federal Circuit and, indeed, Festo was required to avail itself of this opportunity in response to SMC's motion for judgment.

Throughout its brief, Festo asserts that its amendments to the Stoll and Carroll patents were only clarifications. However, the Federal Circuit specifically held that "nothing in the prosecution history of the Stoll patent indicates that the magnetizable sleeve element was merely added for purposes of clarification unrelated to patentability concerns" (234 F.3d at 588), the Stoll sealing ring amendment "appears to have been made to distinguish the prior art" (*id.* at 589), and the Carroll sealing ring amendment "was motivated by at least one reason related to patentability: a desire to avoid the prior art" (*id.* at 591).

Since this Court's 2002 decision left undisturbed the Federal Circuit's 2000 detailed *en banc* review of the Stoll and Carroll prosecution histories, the Federal Circuit

specifically adopted its 2000 review in its 2003 *en banc* decision. App. 6a.

Throughout its brief, Festo asserts that SMC's non-magnetizable sleeve is an "equivalent" to Festo's magnetizable sleeve and SMC's one sealing ring is an "equivalent" to Festo's two sealing rings, one at each end of the piston. However, before the Patent Office, Festo took the opposite position in order to obtain its patents. It told the Patent Office that a magnetizable sleeve works much better since it permits "magnetic leakage fields in the vicinity of the driven assembly to be kept to a minimum" (234 F.3d at 580) and that the two sealing rings, one at each end of the piston, "prevent any impurities from getting on the piston" (*id.* at 579). Festo's positions about the magnetizable sleeve and the two sealing rings did not change until it decided to file suit against SMC whose rodless cylinder did not include either a magnetizable sleeve or two sealing rings. Further, during oral argument before this Court, Festo's counsel stated that it was the magnetizable sleeve and the sealing rings which distinguished the Festo patent over the prior art. January 8, 2002 oral argument transcript in 00-1543 at 14.

Conclusion

In both this Court's prior decision and earlier in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997), this Court recognized that "the doctrine of equivalents can create substantial uncertainty about where the patent monopoly ends" and render "competitors ... unable to determine what is a permitted alternative to a patented invention and what is an infringing equivalent." 535 U.S. at 727. Thus, this Court sought to achieve a "delicate balance" between inventors "who rely on the promise of the law to bring the invention forth" and "the public, which should be

encouraged to pursue innovations, creations, and new ideas beyond the inventor's exclusive rights." *Id.* at 731.

The Federal Circuit's *en banc* decision on remand negates this Court's test and upsets what this Court held and sought to achieve. Festo seeks further to emasculate this Court's decision. The need for this Court to clarify its decision and resolve these issues is clear. Because of the Federal Circuit's unique exclusive jurisdiction, its *en banc* decision on remand in this case will become controlling law in patent cases – unless it is corrected by this Court; and patentees like Festo will continue to use the lack of legal clarity to try to avoid the balance that this Court sought to achieve.

For the reasons set forth in SMC's petition and in this reply, it is respectfully submitted that SMC's petition should be granted.

Respectfully submitted,

Arthur I. Neustadt
Counsel of Record
Oblon, Spivak, McClelland
Maier & Neustadt, P.C.
1940 Duke Street
Alexandria, Virginia 22314

James B. Lampert
Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109

Attorneys for Petitioners
SMC Corporation, et al.